

**Recreation and Park Commission
for the Parish of East Baton Rouge
Baton Rouge, Louisiana
December 31, 2005**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

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June 13, 2006

Independent Auditor's Report

Recreation and Park Commission for
the Parish of East Baton Rouge
Baton Rouge, Louisiana

We have audited the accompanying financial statements of the governmental activities, and each major fund, of the

**Recreation and Park Commission for
the Parish of East Baton Rouge**

as of and for the year ended December 31, 2005, which collectively comprise the Commission's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Commission's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, and each major fund, of the Recreation and Park Commission for the Parish of East Baton Rouge, as of December 31, 2005, and the respective changes in financial position and the respective budgetary comparisons for the General Fund and the Special Revenue Enhancement Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 13, 2006, on our consideration of the Recreation and Park Commission for the Parish of East Baton Rouge's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis information beginning on page five is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Yours truly,

Hawthorne, Waymouth & Carroll, L.L.P.

**Recreation and Park Commission for the Parish of East Baton Rouge
Management's Discussion and Analysis
December 31, 2005**

As financial management of the Recreation and Park Commission for the Parish of East Baton Rouge (BREC) we offer readers of this financial statement an overview and analysis of BREC financial activities. This narrative is designed to assist readers in focusing on significant financial issues, identify changes in financial position, identify material deviations from approved budget documents (if any) and identify individual fund issues or concerns.

Management's Discussion and Analysis (MD&A) is designed to focus on the current year's activities, resulting changes and currently known facts.

FINANCIAL HIGHLIGHTS

- Assets of the Recreation and Park Commission exceeded its liabilities on December 31, 2005 by \$93,851,576 (net assets). Of this amount, \$19,033,676 (unrestricted net assets) may be used to meet ongoing obligations to our creditors.
- As of December 31, 2005, the primary governmental funds reported combined ending fund balances of \$74,689,753, an increase of \$47,576,207 in comparison with the prior year. Approximately 73% of this total amount, \$54,425,218 is available for spending at BREC's discretion (unreserved fund balance).

OVERVIEW OF THE FINANCIAL STATEMENTS

With implementation of Governmental Accounting Standards Board Statement 34, a government's presentation of financial statements has been greatly changed. This is the third year that BREC has adopted the new format. The new statements focus on the Agency as a whole (government-wide) and its major individual funds. Both perspectives (government-wide and major fund) allow the reader to address relevant questions, broaden a basis for comparison (year- to-year or government-to-government) and should enhance BREC accountability.

Government-Wide Financial Statements

Government-wide financial statements are designed to be similar to private sector business in that all governmental and business-type activities are consolidated into columns which add to a total for the primary government. These statements combine Governmental Fund's current financial resources with capital assets and long-term obligations. Donated infrastructure is included. Also presented in the government-wide financial statements is a total column for business-type activities of the primary government. There are no other component units to which BREC may be obligated to provide financial assistance; and no other component units are represented in these statements.

The Statement of Net Assets presents information on all the Agency's assets and liabilities, with the difference between the two reported as net assets. Over time, changes in net assets may serve as a useful indicator of whether or not the financial position of the Agency is improving.

The Statement of Activities presents information showing how BREC net assets have changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods. For example, uncollected taxes and earned but unused vacation leave result in cash flows for future periods. The focus of the Statement of Activities is on both the gross and net cost of various activities which are provided by the government's general tax and other revenues. This is intended to summarize information and simplify the user's analysis of cost of various governmental services and/or subsidy to various business-type activities.

**Recreation and Park Commission for the Parish of East Baton Rouge
Management's Discussion and Analysis
December 31, 2005**

Government-Wide Financial Statements (Continued)

Governmental activities reflect those recreation programs provided by BREC to the general public such as golf, tennis, sports leagues, classes, etc; and maintenance of park facilities. Also included in governmental activities are the programs and maintenance of special facilities such as the Baton Rouge Zoo, Magnolia Mound Plantation House, Bluebonnet Swamp and others. Since all of BREC's activities are government type, there is no presentation of business-type activities reflected in these financial statements.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Traditional users of governmental financial statements will find the fund financial statements presentation more familiar. The focus is now on major funds rather than generic fund types.

Governmental Funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. The Governmental Major Fund presentation is presented on a sources and uses of liquid resources basis. This is the manner in which the financial plan is typically developed excluding certain timing differences between the budget basis and the generally accepted accounting principle (GAAP) basis. Unlike the government-wide financial statements, governmental fund financial statements focus on near-term outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's current financing requirements. The Agency has presented the General Fund, Special Revenue Enhancement, Debt Service, Capital Projects Enhancement and the Capital Projects Fund as major funds.

Infrastructure Assets

General capital assets include land, improvements, to land, easements, buildings, vehicles, machinery and equipment, exotic and domestic live animals, infrastructure, and all other tangible assets that are used in operations and that have initial useful lives greater than two years and exceed the government's capitalization threshold (See Footnote #4: Changes in Capital Assets). Donated infrastructure assets are capitalized and are included in capital asset balances at market value at the date of acquisition. Prior to the implementation of the new reporting model, no depreciation was charged on general capital assets. Accumulated depreciation was recorded for the first time based on the date of acquisition and the life span of the asset in the 2002 financial statements.

Notes to the Financial Statements

The notes provide additional information essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are a required part of the basic financial statements.

**Recreation and Park Commission for the Parish of East Baton Rouge
Management's Discussion and Analysis
December 31, 2005**

Government-Wide Financial Analysis

The following table reflects the condensed Statement of Net Assets for 2005 and 2004.

**Recreation and Park Commission for the Parish of East Baton Rouge
Condensed Statement of Net Assets
December 31, 2005 and 2004**

	2005	2004
Assets		
Current and Other Assets	\$45,842,999	\$27,880,609
Restricted Assets	40,779,050	10,689,843
Capital Assets	<u>68,227,566</u>	<u>59,956,375</u>
Total Assets	<u>154,849,615</u>	<u>98,526,827</u>
Liabilities		
Current Liabilities	14,151,388	11,456,906
Long-Term Liabilities	<u>46,846,651</u>	<u>3,476,108</u>
Total Liabilities	<u>60,998,039</u>	<u>14,933,014</u>
Net Assets		
Invested in Capital Assets, net of related debt	59,752,765	59,956,375
Restricted	15,065,135	10,689,843
Unrestricted	<u>19,033,676</u>	<u>12,947,595</u>
Total Net Assets	<u>93,851,576</u>	<u>83,593,813</u>

Approximately 63% of the Agency's net assets as of December 31, 2005 reflects investment in capital assets less any outstanding debt used to acquire those assets (land, buildings, infrastructure, animals, machinery and equipment). BREC uses these assets to provide services to the public, consequently these assets are not available for future spending. Although the Commission's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. Another 16% of the Agency's net assets are subject to external restrictions. Included are reserves of the General Fund and the entire Fund Balance of the Capital Improvement Fund. The remaining 21% of net assets; unrestricted assets, may be used to meet ongoing obligations of the Agency to citizens and creditors.

The following table provides a summary of the changes in net assets for the year ended December 31, 2005 with comparative figures for 2004.

Recreation and Park Commission for the Parish of East Baton Rouge
Management's Discussion and Analysis
December 31, 2005

Government-Wide Financial Analysis (Continued)

Recreation and Park Commission for the Parish of East Baton Rouge
Condensed Statement of Changes in Net Assets
Years Ended December 31, 2005 and 2004

	<u>2005</u>	<u>2004</u>
Revenues		
Program Revenues		
Charges for Services	\$5,947,169	\$6,018,384
Restricted Grants-In-Aid	25,711	200,538
General Revenues		
Ad Valorem Tax	34,289,555	24,535,238
State Revenue Sharing	1,254,325	1,235,706
Other General Revenues	<u>2,219,038</u>	<u>1,071,431</u>
Total Revenues	<u>43,735,798</u>	<u>33,061,297</u>
Expenses		
Administrative and Planning	8,769,096	3,596,215
Maintenance Department Operations	6,470,126	7,934,807
Recreation Program Operations	7,945,495	11,159,635
Golf Operations	3,851,289	4,757,501
Community Outreach Programs	2,082,030	685,136
Zoo Operations	2,938,554	3,391,667
Interest on long-term debt	<u>1,421,445</u>	<u> </u>
Total Expenses	<u>33,478,035</u>	<u>31,524,961</u>
Increase in Net Assets	10,257,763	1,536,336
Net Assets	83,593,813	80,575,589
Restatement of Net Assets	<u> </u>	<u>1,481,888</u>
Net Assets	<u>93,851,576</u>	<u>83,593,813</u>

Financial Analysis of the Agency's Funds

As noted earlier, BREC uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds:

The focus of BREC's governmental funds is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing BREC financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

**Recreation and Park Commission for the Parish of East Baton Rouge
Management's Discussion and Analysis
December 31, 2005**

Financial Analysis of the Agency's Funds (Continued)

Governmental Funds: (Continued)

The general fund is the chief operating fund of the Commission. At the end of the current fiscal year, unreserved fund balance of the general fund was \$10,408,818, while total fund balance reached \$16,662,993. Compared with total fund balance of \$16,423,705 at the end of 2004, fund balance grew \$239,288 during 2005. A key factor contributing to this growth was an additional \$1,490,425 in ad valorem tax revenues.

Fund balance in the Capital Projects Fund increased \$3,093,437 in 2005, due to lower than anticipated expenditures for projects that were planned and budgeted, but not started in 2005. The Capital Projects Fund operates on a pay-as-you-go basis, and surplus cash balances remain available for those projects for construction at a later date.

General Fund Budgetary Highlights

The Louisiana Local Government Budget Act requires that the Commission adopt budget amendments whenever revenue collections fail to meet projections by more than 5%; or when actual projected expenditures exceed budgeted expenditures by more than 5%; or when actual beginning fund balance fails to meet estimated beginning fund balance by more than 5% if fund balance is being used to fund current year expenditures. The budget amendments described in the next paragraph were made in 2005 at BREC's discretion for management's purposes, and were not required budget adjustments as defined by the Local Government Budget Act.

The total difference between the original 2005 General Fund budget and the final amended version was a increase in budget appropriations of \$1,721,000. Additional appropriations were approved by the Commission during 2005, mostly for additional resources for the maintenance and golf departments. These additional expenditure appropriations were made possible by amendments to anticipated revenues which increased from \$28,235,000 on the original budget document to \$28,406,000 by December 31, 2005, due mostly to increases in recreation activity fees. Ad valorem tax revenues increased approximately 39%, or \$9,754,317 over the prior year; from \$24,535,238 in 2004 to \$34,289,555 in 2005.

Capital Asset and Debt Administration

Capital Assets:

BREC's investment in capital assets for its governmental type activities as of December 31, 2005 amounts to \$68,227,566 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, and moveable property consisting of furniture, machinery and equipment and live animals. Net accumulated depreciation represents approximately 54% of the original book value of all capital assets, and approximately 56% of depreciable capital assets. Capital Asset additions in 2005 were \$12,629,818, or approximately 18% of the book value of all depreciable assets.

There were a variety of improvements to the park system in 2005, including renovations to neighborhood parks, golf courses, ballfields, and a variety of special facilities. Major capital asset events during the 2005 fiscal year included the following:

Recreation and Park Commission for the Parish of East Baton Rouge
Management's Discussion and Analysis
December 31, 2005

Capital Asset and Debt Administration (Continued)

Capital Assets: (Continued)

- There were major projects at three golf courses in 2005. Improvements at Clark Park Golf Course were completed in 2005. Expenditures of more than \$160,000 were made to build a new clubhouse at Clark Park while the golf course remained open, and total renovations over the past two years are more than \$1,500,000. Webb and Santa Maria Golf Courses were closed to the public in May, 2005 through year end, and reconstruction of these courses began immediately after closure. In 2005, \$1,844,000 was spent on renovation of Santa Maria; and \$1,894,000 on Webb Park Golf Course. Both of these projects will be completed in spring, 2006.
- Renovation of a building for a new administration office on Florida Boulevard continued in 2005. Approximately \$2,250,000 was spent in 2005, and the building is expected to be completed in late 2006.
- Land was acquired in Zachary for the site of a signature park. The land was acquired at a cost of \$590,000.
- A hunter/jumper course is near completion at the Horse Activity Center in Farr Park. In 2005, there were expenditures of more than \$160,000 for this and other improvements.

Recreation and Park Commission for the Parish of East Baton Rouge
Capital Assets (Net of Depreciation)
December 31, 2005 and 2004

	<u>2005</u>	<u>2004</u>
Land	\$25,600,905	\$25,008,508
Moveable Property and Equipment	4,111,890	3,232,398
Immoveable Property	<u>38,514,771</u>	<u>31,715,469</u>
<u>Total</u>	<u>68,227,566</u>	<u>59,956,375</u>

Long-Term Debt:

At the end of the calendar year 2005, the Commission had total bonded debt outstanding of \$45,000,000. This bond issue is secured by 3.253 mills of ad valorem taxes. These bonds have a term of 20 years.

Requests for Information

This financial report is designed to provide a general overview of BREC finances for all those with an interest in the Agency's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the BREC Finance Department, P. O. Box 15887, Baton Rouge, LA 70895.

Recreation and Park Commission for the Parish of East Baton Rouge
Statement of Net Assets
December 31, 2005

	<u>Primary Government</u> <u>Governmental</u> <u>Activities</u>
Assets	
Cash and cash equivalents	\$6,951,022
Accounts receivable	1,566,190
Ad valorem taxes receivable, net	34,172,599
Investments securities	2,159,019
Inventory	440,916
Deferred bond issuance costs	553,253
Restricted cash and cash equivalents	40,779,050
Capital Assets - non depreciable	25,600,905
Capital Assets - depreciable, net	<u>42,626,661</u>
<u>Total assets</u>	<u>154,849,615</u>
Liabilities	
Accounts payable	2,392,259
Accrued expenses payable	717,080
Note payable	7,600,000
Amounts held for others	420,668
Claims payable	558,616
Deferred revenues	22,274
Noncurrent liabilities:	
Due within one year	2,440,491
Due in more than one year	<u>46,846,651</u>
<u>Total liabilities</u>	<u>60,998,039</u>
Net Assets	
Invested in capital assets, net of related debt	59,752,765
Restricted	
Capital projects	13,783,281
Debt service	1,281,854
Unrestricted	<u>19,033,676</u>
<u>Total net assets</u>	<u>93,851,576</u>

The accompanying notes are an integral part of these financial statements.

Recreation and Park Commission for the Parish of East Baton Rouge
Statement of Activities
Year Ended December 31, 2005

<u>Function/Program</u>	<u>Expenses</u>	<u>Charges for Service</u>	<u>Total Governmental Activities</u>
Primary Government			
Governmental activities			
Administrative and planning	\$8,769,096		(\$8,769,096)
Maintenance department operations	6,470,126		(6,470,126)
Recreation program operations	7,945,495	\$5,947,169	(1,998,326)
Golf operations	3,851,289		(3,851,289)
Zoo operations	2,938,554		(2,938,554)
Community outreach	2,082,030		(2,082,030)
Interest on long-term debt	1,421,445		(1,421,445)
<u>Total governmental activities</u>	<u>33,478,035</u>	<u>5,947,169</u>	<u>(27,530,866)</u>
General Revenue			
Property taxes			34,289,555
State revenue sharing			1,254,325
Earnings on investments			2,020,053
Donations and miscellaneous			195,243
Bond premium			29,453
<u>Total general revenue</u>			<u>37,788,629</u>
Change in Net Assets			10,257,763
Net Assets, Beginning of Year			<u>83,593,813</u>
Net Assets, End of Year			<u>93,851,576</u>

The accompanying notes are an integral part of these financial statements.

Recreation and Park Commission for the Parish of East Baton Rouge
Balance Sheet
Governmental Funds
December 31, 2005

	Special Revenue				Capital		Total
	General Fund	Enhancement Fund	Debt Service Fund	Capital Projects Fund	Enhancement	Projects	
Assets							
Cash and cash equivalents	\$3,214,068			\$3,736,954			\$6,951,022
Accounts receivable	974,834			327,029	\$264,327		1,566,190
Ad valorem taxes receivable	21,542,329	\$7,806,573		4,823,697			34,172,599
Investments securities				2,159,019			2,159,019
Inventory	383,780			57,136			440,916
Due from other funds	1,468,086		\$1,281,854	2,844,836			5,594,776
Restricted cash and cash equivalents	100,000				40,679,050		40,779,050
Total assets	27,683,097	7,806,573	1,281,854	13,948,671	40,943,377		91,663,572
Liabilities							
Accounts payable	1,362,148	221,671		165,361	643,079		2,392,259
Accrued expenses payable	385,226						385,226
Short-term debt	7,600,000						7,600,000
Amounts held for others	99,210			29	321,429		420,668
Claims payable	558,616						558,616
Deferred revenues	22,274						22,274
Due to other funds	992,630	1,747,619			2,854,527		5,594,776
Total liabilities	11,020,104	1,969,290		165,390	3,819,035		16,973,819
Fund Balance							
Reserved							
Encumbrances	113,282			304,438	5,866,932		6,284,652
Inventory	383,781			57,136			440,917
Debt service - principal							950,000
Debt service - interest			950,000				331,854
Construction			331,854				
Unreserved				6,921,707	31,257,410		38,179,117
Designated	5,757,112						
Unrestricted	10,408,818	5,837,283		6,500,000			12,257,112
Total fund balance	16,662,993	5,837,283	1,281,854	13,783,281	37,124,342		74,689,753
Total liabilities and fund equity	27,683,097	7,806,573	1,281,854	13,948,671	40,943,377		91,663,572

The accompanying notes are an integral part of these financial statements.

Recreation and Park Commission for the Parish of East Baton Rouge
Reconciliation of the Governmental Funds
Balance Sheet to the Statement of Net Assets
December 31, 2005

Fund Balances - Total Governmental Funds		\$74,689,753
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds		
Governmental capital assets	\$124,499,103	
Less accumulated depreciation	<u>(56,271,537)</u>	68,227,566
Assets used in governmental activities that are not financial resources and, therefore, are not reported in the governmental funds		
Deferred bond issuance costs		553,253
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds		
Compensated absences payable		(2,963,776)
Employee benefits payable		(343,000)
Bonds payable		(45,000,000)
Bond premium		(980,366)
Accrued interest payable		<u>(331,854)</u>
Net Assets of Governmental Activities		<u>93,851,576</u>

The accompanying notes are an integral part of these financial statements.

Recreation and Park Commission for the Parish of East Baton Rouge
Statement of Revenue, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended December 31, 2005

	General Fund	Special Revenue Enhancement Fund	Debt Service Fund	Capital Projects Fund	Capital Projects Enhancement	Total
Revenue						
Local sources						
Ad valorem taxes	\$21,639,127	\$7,806,573		\$4,843,855		\$34,289,555
Recreation activity fees	5,947,169					5,947,169
Earnings on investments	414,753			354,410	\$1,250,890	2,020,053
Donations and miscellaneous	142,794			26,738		169,532
State sources						
Revenue sharing	1,017,195			237,130		1,254,325
Restricted grants-in-aid	25,711					25,711
<u>Total revenue</u>	<u>29,186,749</u>	<u>7,806,573</u>		<u>5,462,133</u>	<u>1,250,890</u>	<u>43,706,345</u>
Expenditures						
Current						
Administrative and planning	8,183,046	398,451		141,267	571,985	9,294,749
Maintenance department operations	6,592,367	129,606				6,721,973
Recreation program operations	5,906,898	159,379				6,066,277
Golf operations	3,638,591					3,638,591
Zoo operations	2,667,691					2,667,691
Community outreach	1,958,868					1,958,868
Debt service			\$1,089,591			1,089,591
Capital outlay				2,227,429	8,474,791	10,702,220
<u>Total expenditures</u>	<u>28,947,461</u>	<u>687,436</u>	<u>1,089,591</u>	<u>2,368,696</u>	<u>9,046,776</u>	<u>42,139,960</u>
Excess (deficiency) of revenues over expenditures						
(Continued - amounts brought forward)	<u>239,288</u>	<u>7,119,137</u>	<u>(1,089,591)</u>	<u>3,093,437</u>	<u>(7,795,886)</u>	<u>1,566,385</u>

The accompanying notes are an integral part of these financial statements.

Recreation and Park Commission for the Parish of East Baton Rouge
Statement of Revenue, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended December 31, 2005

	General Fund	Special Revenue Enhancement Fund	Debt Service Fund	Capital Projects Fund	Capital Projects Enhancement	Total
Excess (deficiency) of revenues over expenditures (Continued - amounts carried forward)	\$239,288	\$7,119,137	(\$1,089,591)	\$3,093,437	(\$7,795,886)	\$1,566,385
Other Financing Sources (Uses)						
Bond proceeds					45,000,000	45,000,000
Bond premium proceeds					1,009,819	1,009,819
Operating transfers in			2,371,445			2,371,445
Operating transfers out		(1,281,854)			(1,089,591)	(2,371,445)
Total financing sources (uses)		(1,281,854)	2,371,445		44,920,228	46,009,819
Net Change is Fund Balances	239,288	5,837,283	1,281,854	3,093,437	37,124,342	47,576,204
Fund Balance, Beginning of Year	16,423,705			10,689,844		27,113,549
Fund Balance, End of Year	16,662,993	5,837,283	1,281,854	13,783,281	37,124,342	74,689,753

The accompanying notes are an integral part of these financial statements.

Recreation and Park Commission for the Parish of East Baton Rouge
Reconciliation of the Statement of Revenue, Expenditures and
Changes in Fund Balances of Governmental Funds
Year Ended December 31, 2005

Net Changes in Fund Balances - Total Governmental Funds \$47,576,204

Amounts reported for governmental activities in the statement of net assets are different because:

Governmental funds report capital outlay as expenditures. However, on the statement of activities the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay	\$12,629,818	
Depreciation expense	(4,321,378)	
Loss on disposal of fixed assets	<u>(37,246)</u>	8,271,194

Some expenses reported in the statement of activity do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds

Compensated absences	263,332	
Employee benefits	<u>(94,000)</u>	169,332

The issuance of long-term debt (e.g. bonds) provides current financial resources to governmental funds. In the statement of net assets, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of activities.

Proceeds from issuance of debt	(45,000,000)	
Proceeds from premium on bond	(1,009,819)	
Deferred bond issuance costs	569,874	
Amortization of bond issuance costs	(16,621)	
Amortization of bond premium	29,453	
Accrued interest payable	<u>(331,854)</u>	

Change in Net Assets of Governmental Activities 10,257,263

The accompanying notes are an integral part of these financial statements.

Recreation and Park Commission for the Parish of East Baton Rouge
General Fund
Statement of Revenue, Expenditures and Changes in Fund Balances -
Budget and Actual (GAAP Basis)
Year Ended December 31, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary Basis)</u>	<u>Favorable (Unfavorable)</u>
Revenue				
Local sources				
Ad valorem taxes	\$21,000,000	\$21,000,000	\$21,639,127	\$639,127
Recreation activity fees	5,821,000	5,992,000	5,947,169	(44,831)
Earnings on investments	374,000	374,000	414,753	40,753
Donations and miscellaneous	80,000	80,000	142,794	62,794
State sources				
Revenue sharing	960,000	960,000	1,017,195	57,195
Federal grants			25,711	25,711
<u>Total revenue</u>	<u>28,235,000</u>	<u>28,406,000</u>	<u>29,186,749</u>	<u>780,749</u>
Expenditures				
Current				
Administrative expenditures	7,916,000	8,411,000	8,183,046	227,954
Recreation program expenditures	13,265,000	13,103,000	14,172,048	(1,069,048)
Maintenance department expenditures	6,378,000	6,718,000	6,592,367	125,633
<u>Total expenditures</u>	<u>27,559,000</u>	<u>28,232,000</u>	<u>28,947,461</u>	<u>(715,461)</u>
Net Change in Fund Balances	676,000	174,000	239,288	65,288
Fund Balance, Beginning of Year	<u>16,423,705</u>	<u>16,423,705</u>	<u>16,423,705</u>	
Fund Balance, End of Year	<u>17,099,705</u>	<u>16,597,705</u>	<u>16,662,993</u>	<u>65,288</u>

The accompanying notes are an integral part of these financial statements.

Recreation and Park Commission for the Parish of East Baton Rouge
Special Revenue Enhancement Fund
Statement of Revenue, Expenditures and Changes in Fund Balances -
Budget and Actual (GAAP Basis)
Year Ended December 31, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary Basis)</u>	<u>Favorable (Unfavorable)</u>
Revenue				
Local sources				
Ad valorem taxes	<u>\$7,600,000</u>	<u>\$7,600,000</u>	<u>\$7,806,573</u>	<u>\$206,573</u>
<u>Total revenue</u>	<u>7,600,000</u>	<u>7,600,000</u>	<u>7,806,573</u>	<u>206,573</u>
Expenditures				
Current				
Administrative expenditures	<u>224,000</u>	<u>224,000</u>	<u>398,451</u>	<u>(174,451)</u>
Recreation program expenditures	<u>163,000</u>	<u>163,000</u>	<u>159,379</u>	<u>3,621</u>
Maintenance department expenditures	<u>289,000</u>	<u>289,000</u>	<u>129,606</u>	<u>159,394</u>
<u>Total expenditures</u>	<u>676,000</u>	<u>676,000</u>	<u>687,436</u>	<u>(11,436)</u>
Excess (Deficiency) of Revenue over Expenditures	<u>6,924,000</u>	<u>6,924,000</u>	<u>7,119,137</u>	<u>195,137</u>
Other Financing Sources (Uses)				
Operating transfer out	<u> </u>	<u> </u>	<u>1,281,854</u>	<u>(1,281,854)</u>
<u>Total financing sources (uses)</u>	<u> </u>	<u> </u>	<u>1,281,854</u>	<u>(1,281,854)</u>
Net Change in Fund Balances	<u>6,924,000</u>	<u>6,924,000</u>	<u>5,837,293</u>	<u>(1,086,717)</u>
Fund Balance, Beginning of Year	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Fund Balance, End of Year	<u>6,924,000</u>	<u>6,924,000</u>	<u>5,837,293</u>	<u>(1,086,717)</u>

The accompanying notes are an integral part of these financial statements.

Recreation and Park Commission for the Parish of East Baton Rouge
Notes to Financial Statements
December 31, 2005

Note 1 - Summary of Significant Accounting Policies

The Recreation and Park Commission for the Parish of East Baton Rouge (the Commission) is a body corporate created by Act 246 of the 1946 Session of the Legislature and reorganized by Act 95 of the 1985 Legislature. The Commission has the power to sue and be sued, and to purchase and operate parks and recreation facilities not inconsistent with the laws of the State of Louisiana or the ordinances of the governing authority of East Baton Rouge Parish. The Commission is composed of nine members who serve without compensation.

A. Financial Reporting Entity

GASB Statement 14 establishes criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Under provisions of this statement, the Commission is considered a primary government since it is a special purpose government that is legally separate and is fiscally independent of other state or local governments. As used in GASB Statement 14, fiscally independent means that the Commission may, without the approval or consent of another governmental entity, determine or modify its own budget, levy its own taxes or set rates or charges, and issue bonded debt. The Commission has no component units, defined by GASB Statement 14 as other legally separate organizations for which the elected commission members are financially accountable. There are no other primary governments with which the Commission has a significant relationship.

B. Basis of Presentation

Basic financial statements of the Commission consist of the government-wide statements on all of the non-fiduciary activities of the primary government and the fund financial statements. The statements are prepared in accordance with accounting principles generally accepted in the United States of America as applied to governmental units.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements include the statement of net assets and the statement of activities for all non-fiduciary activities of the primary government. As a general rule, the effect of interfund activity has been removed from these statements. The government-wide presentation focuses primarily on the sustainability of the Commission as an entity and the change in aggregate financial position resulting from the activities of the fiscal period.

Governmental Activities represent programs which normally are supported by taxes and intergovernmental revenues.

The Commission does not engage in any *Business-Type Activities*.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Indirect costs are not allocated by function for financial reporting in this statement. Program revenues include (1) charges to customers who purchase or use goods and services provided by a given function or segment, and (2) grants that are restricted to meet the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues. This includes internally dedicated resources such as restricted property taxes.

Recreation and Park Commission for the Parish of East Baton Rouge
Notes to Financial Statements
December 31, 2005

Note 1 - Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation (Continued)

FUND FINANCIAL STATEMENTS

Fund financial statements are very similar to the traditional government fund statements as presented by governments prior to the issuance of GASB 34. Emphasis is now on major funds in either the governmental or business-type categories.

The daily accounts and operations of the Commission continue to be organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, equity, revenues, and expenditures, or expenses as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The various funds of the primary government are grouped, into generic fund types and two broad fund categories as follows:

Governmental Activities Presented as Governmental Funds in the Fund Financial Statements:

General Fund - The General Fund is the general operating fund of the Commission. The General Fund accounts for all financial resources except those required to be accounted for in other funds.

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes.

Debt Service Funds - Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

Capital Projects Funds - Capital Projects Fund are used to account for financial resources used for the acquisition or construction of major capital facilities.

C. Basis of Accounting and Measurement Focus

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized in the year for which they are levied.

FUND FINANCIAL STATEMENTS

All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (revenues and other financing sources) and decreases (expenditures and other uses) in net current assets. Governmental funds are maintained on the modified accrual basis of accounting.

Recreation and Park Commission for the Parish of East Baton Rouge
Notes to Financial Statements
December 31, 2005

Note 1 - Summary of Significant Accounting Policies (Continued)

C. Basis of Accounting and Measurement Focus (Continued)

FUND FINANCIAL STATEMENTS (Continued)

Governmental fund revenues resulting from exchange transactions are recognized in the fiscal year in which the exchange takes place and meets the government's availability criteria (susceptible to accrual). Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. Charges for services, fines and forfeits, and most governmental miscellaneous revenues, including investment earnings are recorded as earned since they are measurable and available. The Commission definition of available means expected to be received within sixty days of the end of the fiscal year.

Non-exchange transactions in which the Commission receives value without directly giving value in return includes property tax, special assessments, grants, entitlements and donations. Property taxes are considered measurable in the calendar year of the tax levy if collected soon enough to meet the availability criteria. Sales taxes and gross receipts business taxes are considered "measurable" when the underlying transaction occurs and meets the availability criteria. Anticipated refunds of such taxes are recorded as reductions of revenue when they are refunded. Special assessments are recognized as revenues only to the extent that individual installments are considered current assets in the governmental fund types. Revenues from grants, entitlements and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources can be used.

D. Budget Practices

Annually the Commission adopts operating budgets for all governmental funds. Budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP). The proposed budget is prepared using the modified accrual basis of accounting. It is made available for public inspection at the Superintendent's office. The budget is introduced to the Commission at its meeting in October of every year. It is adopted by the Commission at the November meeting after a public hearing. Amendments are recommended to the Commission as needed, and approved at public meetings.

All appropriations lapse at year end. Formal budget integration is employed as a management control device during the year for the governmental funds. The board of commissioners reserves all authority to change the budgets.

ENCUMBRANCES

Encumbrances represent purchase orders, contracts, or other commitments; and are recorded in budgetary funds to reserve portions of applicable appropriations. The Commission uses a manual encumbrance accounting system for reporting purchase orders placed late in the year for which goods were not received by December 31st. At year end, outstanding purchase orders are established as a reservation of fund balance for reporting purposes only, since they do not constitute expenditures or liabilities.

Recreation and Park Commission for the Parish of East Baton Rouge
Notes to Financial Statements
December 31, 2005

Note 1 - Summary of Significant Accounting Policies (Continued)

E. Assets, Liabilities, and Fund Equity

CASH, CASH EQUIVALENTS, AND INVESTMENTS

Cash and cash equivalents for each fund include demand deposit account balances, repurchase agreements, certificate of deposit and U.S. government securities with maturities of three months or less from date purchased.

Investments are reported at fair market value. Securities are valued at the last reported sales price prior to the year end. Unrealized gains and losses on investments are recorded at fair value and are included in investment income.

INVENTORIES AND PREPAID ITEMS

Merchandise inventories (items held for resale) and supplies inventories are valued at the lower of cost or market, using a moving weighted average. In the governmental fund types, inventoried items are recorded as expenditures when consumed rather than when purchased. Inventory balances at year-end are equally offset by fund balance reserves.

RESTRICTED ASSETS

Certain bond proceeds and debt service sinking funds of the Tax Revenue Bonds Series 2005 are legally restricted as to purpose. These assets have been classified as restricted assets on the Statement of Net Assets since the use of these funds is limited by applicable bond resolutions. In addition, the Commission has a \$100,000 Time Deposits held in trust with the Louisiana Office of Workers Compensation for its self-insured program.

INTERFUND RECEIVABLES AND PAYABLES

Interfund transactions are limited generally to transactions involving non-cash transfers between funds. These amounts are reported as "due to/from" other funds". The Commission does not make a practice of making interfund cash loans, short-term or long-term.

ACCOUNTS RECEIVABLE

Accounts receivable consists primarily of ad valorem taxes receivable. Taxes are reported net of an allowance for uncollectibles.

CAPITAL ASSETS

Capital assets, which include land and land improvements, buildings, equipment and infrastructure assets (roads, parking lots, lighting, bridges, drainage systems, etc.), are reported in the governmental activities columns in the government-wide financial statements. Capitalization thresholds are defined by Commission policy in procedure manuals of the Finance department, and are generally for items greater than \$1,000.

All assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add value to the asset or materially extended its useful life are not capitalized. Major outlays for capital assets and improvements are capitalized in the year that the expenditure is made. *Depreciation* on all capital assets, excluding land and improvements, is calculated on the straight-line method over the estimated useful life of the assets.

Recreation and Park Commission for the Parish of East Baton Rouge
Notes to Financial Statements
December 31, 2005

Note 1 - Summary of Significant Accounting Policies (Continued)

E. Assets, Liabilities, and Fund Equity (Continued)

CAPITAL ASSETS (Continued)

The range of estimated useful lives by type of assets is as follows:

	<u>Years</u>
Immovable	20
Movable	5-20

All infrastructure assets purchased by the Commission since 1982 are recorded at actual cost as capital assets and depreciated accordingly. Infrastructure assets acquired prior to 1982 were recorded at estimated values prepared in 1982.

LONG-TERM OBLIGATIONS

Long-term obligations expected to be financed from governmental funds are reported in the government-wide statement of net assets, but not in the governmental funds.

In the government-wide statement of net assets, long-term debt and other long-term obligations are reported as liabilities. Bond premiums, discounts, issuance costs, and gains (losses) on refunding are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable costs are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements governmental fund types recognize bond premiums, discounts, and bond issuance costs during the current financial period. The face amount of the debt issue is reported as "other financing sources". Premiums received on debt issuances are reported as "other financing sources" and discounts on debt are reported as "other financing uses".

COMPENSATED ABSENCES

All employees earn vacation leave at the rates from 100 hours per 2,080 paid hours per year (.0481 per paid hour) to 140 hours per 2,080 paid hours per year (.0673 per paid hour) depending upon length of service. A maximum of 45 days (360 hours) may be carried over from one year to the next. Upon resignation, retirement, or death, a maximum amount equal to 45 days (360 hours) of earned vacation leave is paid to the employee (or heirs) at the employee's current rate of pay.

Employees earn 120 hours per 2,080 paid hours per year (.0577 per paid hour) of sick leave each year, which may be accumulated without limit. Accumulated sick leave is not paid to an employee leaving service prior to retirement. A full-time employee (or heirs) may be paid for a maximum of 120 days (960 hours) of sick leave (or a combination of sick and vacation leave not to exceed 120 days) upon the employee's retirement (or death, if retirement eligible). Part-time employees are not eligible for pay for sick leave.

Recreation and Park Commission for the Parish of East Baton Rouge
Notes to Financial Statements
December 31, 2005

Note 1 - Summary of Significant Accounting Policies (Continued)

E. Assets, Liabilities, and Fund Equity (Continued)

COMPENSATED ABSENCES (Continued)

Commission employees of certain job classifications may accrue compensatory time in lieu of overtime pay up to a maximum of 40 hours. Comp time is paid by the Commission upon termination, resignation, retirement or death, up to the maximum balance of 40 hours.

The cost of leave privileges is recognized as a current-year payroll expenditure in the General Fund when leave is actually taken, or when employees (or their heirs) are paid for accrued unused leave. In the government-wide financial statements the total compensated absences liability is recorded as an expense and a long-term obligation and allocated on a functional basis.

RESERVES AND DESIGNATIONS OF FUND EQUITY

Some portions of fund balance in the governmental fund types are *reserved* to indicate that a portion of equity is legally restricted to a specific future use and is not available for appropriation or expenditure. *Designated* portions of fund balance indicate tentative future spending plans, which may be changed and are subject to subsequent authorization before expenditures can be made. Designations are made for specific indicated purposes included in the title and require budgetary appropriations in subsequent years.

NET ASSETS

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consist of capital assets, net of accumulated depreciation reduced by the outstanding balance of any debt proceeds used for the acquisition, construction, or improvements of those assets. Net assets are reported as restricted when there are limitations imposed on their use by external parties such as creditors, grantors, laws or regulations of other governments.

ACCOUNTING ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make certain estimates and assumptions. Those estimates affect the reported amounts of assets and liabilities and disclosure of assets and liabilities at the date of the financial statements. They may also affect reported amounts of revenues and expenses of proprietary funds and the government-wide financial statements during the reporting period. Actual results could differ from these estimates.

F. New Accounting Pronouncement

In 2004, the Governmental Accounting Standards Board (GASB) issued Statement 45, "Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions", which requires public agencies to account for, and report, the annual cost of Other Post-Employment Benefits (OPEB) in the same way they report pensions. As a result, the annual OPEB costs for most employers will be based on actuarially determined amount rather than in the "pay-as-you-go" method. The Commission is required to implement this standard for the year ending December 31, 2008, and has not yet determined the full impact that adoption of GASB Statement 45 will have on the financial statements.

Recreation and Park Commission for the Parish of East Baton Rouge
Notes to Financial Statements
December 31, 2005

Note 2 - Cash, Cash Equivalents and Investments

A. Deposits

Deposits are stated at cost, which approximates market. Under state law, they must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal or exceed the amount on deposit with the fiscal agent.

B. Cash and Cash Equivalents Summary

Summary of cash and cash equivalents as stated on the Statement of Net Assets:

Cash and cash equivalents	\$6,951,022
Restricted cash and cash equivalents	<u>40,779,050</u>
	<u>47,730,072</u>

The cash and cash equivalents on hand at December 31, 2005 are as follows:

	<u>Governmental Activities</u>
Petty cash	\$18,925
Interest-bearing demand deposits	4,181,341
Money markets	962,519
Repurchase agreements	37,167,287
Time deposits	<u>5,400,000</u>
<u>Total cash and cash equivalents</u>	<u>47,730,072</u>

C. Custodial Credit Risk

For deposits, custodial credit risk is the risk that, in the event of the failure of the counter-party, the Commission will not be able to recover the value of its investment or collateral securities that are in possession of an outside party.

As of December 31, 2005, the Commission's total bank balances were fully insured and collateralized with securities held in the name of the Commission by pledging financial institution's agent, and therefore, not exposed to custodial credit risks.

D. Investment Securities

At December 31, 2005 the Commission had investment securities consisting of:

	<u>Fair Value</u>
Marketable Equity Securities	<u>\$2,159,019</u>

Recreation and Park Commission for the Parish of East Baton Rouge
Notes to Financial Statements
December 31, 2005

Note 2 - Cash, Cash Equivalents and Investments (Continued)

D. Investment Securities (Continued)

Marketable equity securities at December 31, 2005, consist of 47,614 shares of publicly traded common and preferred stock among a diverse cross section of corporations. The stock was originally acquired by donation in 1989. Additional shares have been acquired due to splits and stock dividends. The stock is in the custody of brokerage firm that is a member of the Securities Investor Protection Corporation (Category 1). Fair values are based upon quoted prices of the New York Stock Exchange as of the close of business on December 31, 2005.

The Commission applies Governmental Accounting Standards Board statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools* in accounting for its investment securities. Under this pronouncement, the marketable equity securities are reported at fair value and the corresponding change in value is recognized in the statement of revenues, expenditures and changes in fund balances.

As a means of limiting its exposure to fair value losses arising from interest rates, the Commission's investment policy will attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow, the Commission will not directly invest in securities maturing more than five (5) years from the date of purchase. However, the Commission may collateralize its repurchase agreements using longer dated investments not to exceed ten (10) years to maturity.

Reserve funds may be invested in securities exceeding five (5) years, but not to exceed ten (10) years of the maturity if such investments are made to coincide as nearly as practicable with the expected use of the funds.

Credit risk is defined as the risk that an issuer or other counter-party to an investment will not fulfill its obligation. The Commission's investment policy requires the application of the prudent-person rule. The policy states, "all investments made shall be with judgement and care, under circumstances then prevailing, which persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived. However, under all circumstances, the overriding concern shall be safety of the principal amounts invested. The Commission's policy limits investments to United States Treasury obligations by federal agencies, security repurchase agreements, certificates of deposits, and mutual or trust fund institutions.

The Commission's policy states that their concentration of risk is no more than 50% of total investment portfolio will be invested in a single security type or within a single financial institution with the exception of U.S. Treasury securities.

Note 3 - Property Taxes

The 1974 Louisiana Constitution (Article 7, Section 18) provided that land and improvements for residential purposes be assessed at 10% of fair market value; other property and electric cooperative properties, excluding land, are to be assessed at 15%; and public service properties, excluding land, are to be assessed at 25% of fair market value. Fair market value is determined by the elected assessor of the parish on all property subject to taxation except public service properties, which are valued by the Louisiana Tax Commission (LRS 47:1957). The correctness of assessments by the assessor is subject to review and certification by the Louisiana Tax Commission. The assessor is required to reappraise all property subject to taxation at intervals of not more than four years. The next reassessment year is 2008.

Recreation and Park Commission for the Parish of East Baton Rouge
Notes to Financial Statements
December 31, 2005

Note 3 - Property Taxes (Continued)

The 2005 property tax calendar is as follows:

Levy date	June 28, 2005
Millage rates adopted	June 28, 2005
Tax bills mailed	November 30, 2005
Due date	December 31, 2005
Lien date	January 1, 2006

State Law requires the sheriff to collect property taxes in the calendar year in which the assessment is made. If taxes are not paid by the due date, taxes bear interest at the rate of one and one-fourth percent per month until the taxes are paid (LRS 47:2101). After notice is given to the delinquent taxpayers, the Sheriff is required by the Constitution of the State of Louisiana to sell the least quantity of property necessary to settle the taxes and interest owed (LRS 47:2181). Therefore, there are no delinquent taxes at year-end.

Property taxes are considered measurable in the calendar year of the tax levy. Accordingly, the entire tax roll less an estimate for uncollectible taxes is recorded as taxes receivable in the current calendar year. Uncollectible taxes are those taxes which based on past experience will not be collected in the subsequent year and are primarily due to subsequent adjustments to the tax roll.

At the governmental level: Property taxes that are measurable and available (receivable within the current period and collected within the current period or within 60 days thereafter to be used to pay liabilities of the current period) are recognized as revenue in the year of levy. Property taxes that are measurable, but not available, are recorded, net of estimated uncollectible amounts, as deferred revenues in the year of levy. Such deferred revenues are recognized as revenue in the fiscal year in which they become available.

At the entity-wide level: Property taxes are recognized in the year of the levy net of uncollectible amounts.

Property taxes receivable and estimated uncollectible taxes by fund type for governmental funds are as follows:

	<u>Property Taxes Receivable</u>	<u>Estimated Uncollectible Property Taxes</u>	<u>Net Property Taxes Receivable</u>
General Fund	\$21,982,234	\$439,905	\$21,542,329
Capital Improvements Funds	4,919,605	95,908	4,823,697
Special Revenue Enhancement	<u>7,806,573</u>	<u> </u>	<u>7,806,573</u>
<u>Total</u>	<u>34,708,412</u>	<u>535,813</u>	<u>34,172,599</u>

Recreation and Park Commission for the Parish of East Baton Rouge
Notes to Financial Statements
December 31, 2005

Note 4 - Changes in Capital Assets

Capital asset activity for the year ended December 31, 2005 was as follows:

	Balance at January 1, 2005	Additions	Adjustments and (Deletions)	Balance at December 31, 2005
Governmental Activities				
Capital assets not depreciated				
Land	\$25,008,508	\$592,397		\$25,600,905
Capital assets being depreciated				
Immoveable property	75,457,395	10,019,869		85,477,264
Moveable property and equipment	12,053,381	2,017,552	(\$649,999)	13,420,934
<u>Total capital assets depreciated</u>	87,510,776	12,037,421	(649,999)	98,898,198
Less accumulated depreciation for				
Immoveable property	(43,741,926)	(3,220,567)		(46,962,493)
Moveable property and equipment	(8,820,983)	(1,100,811)	612,750	(9,309,044)
<u>Total accumulated depreciation</u>	(52,562,909)	(4,321,378)	612,750	(56,271,537)
Total Capital Assets Being Depreciated, Net	34,947,867	7,716,043	(37,249)	42,626,661
Total Capital Assets, Net	59,956,375	8,308,440	(37,249)	68,227,566

Depreciation expense for 2005 is charged to the following functions in the statement of activities:

Administrative and planning	\$326,338
Maintenance department operations	510,093
Recreation, program operations	2,246,024
Golf	899,734
Zoo	339,189
	<u>4,321,378</u>

Construction Commitment

The Commission has entered into a contract to renovate its administrative building. At December 31, 2005, the Commission has approximately 4.9 million remaining on this contract.

Note 5 - Defined Benefit Plans

A. Plan Description

The Commission contributes to the Employee's Retirement System of the City of Baton Rouge, Parish of East Baton Rouge. The plan is a cost-sharing, multiple-employer defined-benefit pension plan. The plan is administered by a board of trustees. The plan provides retirement benefits, disability benefits, annual cost-of-living adjustments, and death benefits to the plan members and beneficiaries. The City of Baton Rouge and the Parish of East Baton Rouge Plan of Government and Louisiana Revised Statutes 11:2551 et seq. grant the respective board of trustees the authority to establish and amend benefit provisions of the plan.

Recreation and Park Commission for the Parish of East Baton Rouge
Notes to Financial Statements
December 31, 2005

Note 5 - Defined Benefit Plans (Continued)

A. Plan Description (Continued)

The Retirement System is reported as a blended component unit of the City-Parish as defined by Governmental Auditing Standards Board Statement No. 14, the Financial Reporting Entity. Since the Retirement System is part of the City-Parish's reporting entity, its financial statements are included as a Pension Trust Fund by the primary government.

The board of trustees of the Retirement System was created by the City of Baton Rouge and the Parish of East Baton Rouge Plan of Government to administer the assets of the system, and is composed of seven members. Four of the trustees are members of the Retirement System. The remaining membership of the board consists of the Director of Finance, and two persons with business and accounting experience, appointed by the Metropolitan Council. All administrative expenses of the Retirement System are paid from funds of the system, and the board issues its own financial statements on an annual basis.

The Retirement System issues publicly available financial reports that include financial statements and required supplementary information for the plan. The financial reports may be obtained from the

Retirement Administrator
Employees' Retirement System
City of Baton Rouge, Parish of East Baton Rouge
Post Office Box 1471
Baton Rouge, Louisiana 70821-1471

B. Funding Policy

Plan members are required to contribute 9.5% of their annual covered salary and the Commission is required to contribute at an actuarially determined rate. The current rate is 20.13% of annual covered payroll. The preceding rate is for the plan with the rate being applicable to the Employee's Retirement System of the City of Baton Rouge. The Commissions' contribution to the plan for the year ending December 31, 2005 was \$1,973,693.

Note 6 - Compensation to Commissioners

All members of the Commission serve without compensation.

Note 7 - Post Employment Benefits

Commission employees are eligible to continue participation in health, dental and life insurance programs upon retirement.

A. Health and Dental Benefits

All full-time employees of the Commission at their option participate in the employees' group health program. Upon retirement the employee may continue his coverage with the same benefits payable to active employees. Retirees pay a contribution based on years of service, with a maximum contribution of 28% of the base plan, and 100% of the additional cost if they choose a plan with higher coverage benefits. BREC expenditures for health and medical benefits for retirees were \$119,162 in 2005. In 2005, there were 51 retirees participating in the health plan.

Recreation and Park Commission for the Parish of East Baton Rouge
Notes to Financial Statements
December 31, 2005

Note 7 - Post Employment Benefits (Continued)

B. Life Insurance Benefits

The Commission provides a \$4,000 life insurance benefit to employees who retired prior to January 1, 1996, a \$5,000 benefit to those who retired after January 1, 1996 and before January 1, 2004, and a \$10,000 benefit to those who retired after January 1, 2004. This benefit is payable to the retiree's survivors upon the retiree's death. BREC made payments totaling \$8,000 in 2005 for retiree life insurance benefits. As of December 31, 2005, there were 67 BREC employees eligible for life insurance.

C. Other Benefits

The Commission provides a supplemental payment to retirees based on the years of service and number of years retired. This supplement is paid in installments in the second, third and fourth quarter of the year. It is contingent on annual approval by the Commission. A retiree may receive a maximum supplement up to \$1,250; and the minimum supplement is \$30 per year. BREC paid \$29,394 to retirees in 2005 for supplemental pay benefits. In 2005, there were 51 retired employees eligible for benefits.

Note 8 - Note Payable

As of December 31, 2005, the Commission had an outstanding note payable to Regions Bank of Baton Rouge for \$7,600,000. The original date was August 30, 2005 and matured on March 1, 2006. The interest rate is 3.23%. The note is secured from a pledge of all revenues for 2005, and the purpose is for tax anticipation. Total interest paid on short-term borrowings for 2005 was \$123,422.

Short-term debt activity during 2005 is as follows:

Beginning balance	\$9,400,000
Debt retired	(9,400,000)
Debt issued	<u>7,600,000</u>
Ending balance	<u>7,600,000</u>

Note 9 - Long Term Debt

A. Debt Outstanding

The following is a summary of changes in long-term debt transactions of the Commission for the year ended December 31, 2005:

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance End of Year</u>	<u>Due Within One Year</u>
Governmental Activities					
Tax Revenue Bonds		\$45,000,000		\$45,000,000	\$1,425,000
Compensated absences payable	\$3,227,108	650,959	(\$914,291)	2,963,776	950,000
Employee benefit payable	249,000	94,000		343,000	15,000
Bond premium		<u>980,366</u>		<u>980,366</u>	<u>50,491</u>
Totals	<u>3,476,108</u>	<u>46,725,325</u>	<u>(914,291)</u>	<u>49,287,142</u>	<u>2,440,491</u>

Recreation and Park Commission for the Parish of East Baton Rouge
Notes to Financial Statements
December 31, 2005

Note 9 - Long Term Debt (Continued)

B. Bonds Payable

\$45,000,000 Tax Revenue Bonds Series 2005, secured by a pledge and dedication of the 3.253 mills of property tax and collected by the Parish of East Baton Rouge and allocated to the Commission, due in annual installments through May, 2025, with interest at 4.5%.

C. Changes in Bonds Payable

	Outstanding 38717 2005	Issued	Retired	Outstanding 39081 2005
Revenue Bonds				
Public improvement bonds		\$45,000,000		\$45,000,000

D. Debt Service Requirements to Maturity of Bonds Payable

The annual requirements to amortize bond debt including principal and interest are as follows:

Governmental Activities		
Year	Tax Revenue Bonds	
	Principal	Interest
2006	\$1,425,000	\$1,967,975
2007	1,565,000	1,919,388
2008	1,620,000	1,867,631
2009	1,670,000	1,814,169
2010	1,725,000	1,757,922
2011-2015	9,660,000	7,676,044
2016-2020	12,075,000	5,209,113
2021-2025	15,260,000	1,924,500
	<u>45,000,000</u>	<u>24,136,742</u>

E. Bond Restrictions

Under the terms of the indenture authorizing the issuance of Tax Revenue Bonds - Series 2005, proceeds of the 3.253 mills ad valorem tax, collected by the Parish of East Baton Rouge, and allocated to the Commission, are pledged and dedicated for the establishment and maintenance of the following bond funds:

1. The Tax Revenue Bond requires monthly transfers from the Enhancement Fund to the Debt Service Fund on the last day of each month equal to 1/12 of principal and interest.
2. The Tax Revenue Bond requires all tax revenues to be deposited into the Enhancement Fund.

Recreation and Park Commission for the Parish of East Baton Rouge
Notes to Financial Statements
December 31, 2005

Note 10 - Receivables and Payables

Balances due to/from other funds at December 31, 2005:

	<u>Interfund</u>	
	<u>Receivable</u>	<u>Payable</u>
Governmental Activities		
General Fund	\$1,468,086	\$992,630
Special Revenue Enhancement Fund		1,747,619
Debt Service Fund	1,281,854	
Capital Projects Fund	2,844,836	
Capital Projects Enhancement Fund		2,854,527
<u>Totals</u>	<u>5,594,776</u>	<u>5,594,776</u>

Accounts receivable consists of the following:

	<u>Federal</u>	<u>State</u>	<u>Other</u>	<u>Total</u>
Governmental Activities				
General Fund	\$25,711	\$675,492	\$273,631	\$974,834
Capital Project Funds	<u>84,273</u>	<u>193,232</u>	<u>313,851</u>	<u>\$91,356</u>
<u>Totals</u>	<u>109,984</u>	<u>868,724</u>	<u>587,482</u>	<u>1,566,190</u>

Note 11 - Risk Management

A. Types of Risk

The Commission manages each type of risk individually and to differing degrees of assumed risk, or self-insured risk. Components of the Commission's risk management activities include general liability, unemployment compensation, worker's compensation, employee health, vehicle liability and property damage.

General liability and unemployment compensation have no insurance policies to serve as stop loss. The Commission is at risk for the full amount of all general liability and unemployment claims.

Worker's compensation and employee health plan losses are covered by excess insurance policies, and professional administrators are contracted by the Commission to adjust and manage their respective claims. The self-insured retainer for worker's compensation is \$350,000 per occurrence, and for employee health is \$50,000 per occurrence.

Vehicle liability and property damage are covered by insurance, and the insurance companies are responsible for payment of claims exceeding the deductible. The deductible for vehicle liability is \$50,000 per occurrence and for property damage is \$250,000 per occurrence. The Commission assumes the high deductibles to have lower insurance premiums.

B. Accounting for Risk

In accordance with GASB Statement #10 "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues" the Commission accounts for and reports risk management activities in the General Fund within the constraints of the modified accrual basis of accounting. Claims paid under the self-insurance risk activities are recorded as expenditures. There were no major changes in insurance coverage for the year ended December 31, 2005.

Recreation and Park Commission for the Parish of East Baton Rouge
Notes to Financial Statements
December 31, 2005

Note 11 - Risk Management (Continued)

C. Contingent Liabilities - Claims and Judgments

The Commission is a defendant in several lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the Commission's counsel that resolution of these matters will not have a material adverse effect on the financial condition of the Commission.

D. Employee Benefits

The Commission provides medical insurance benefits to its full-time employees who choose to participate. In 2005 the Commission contributed approximately 72% of the cost of the base plan; and employees approximately 28%; additionally, employees pay the full cost of additional premiums for plans with higher coverage benefits. The Commission also provides certain life insurance benefits for retired employees which it self-insures. All of the Commission's full-time employees become eligible for these benefits when they reach normal retirement age while working for the Commission. Health care benefits are provided through an insurance company who's monthly premiums are paid jointly by the retiree and the Commission. The Commission's cost of providing these benefits are recognized as expenditures when the payments or monthly premiums are paid. Cost to the Commission for employee health benefits in 2005 was \$1,494,880.

Note 12 - Subsequent Events

There are no subsequent events to the date of this report that would materially affect the stated value of assets or liabilities, or alter the financial position of the Commission as represented in these financial statements.

Note 13 - Fund Designations

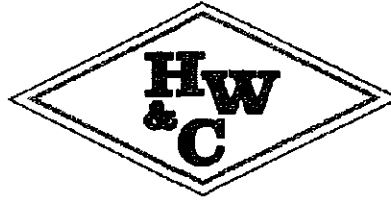
Designations for the General Fund as of December 31, 2005 are as follows:

Self Insurance	\$3,675,684
Retirees Life Insurance	343,000
Senior Citizens	64,843
Dream Day Camp	465,200
Mineral Endowment	<u>1,208,385</u>
	<u>5,757,112</u>

Designations for the Capital Project Fund as of December 31, 2005, are as follows:

Recreation Building Construction	\$4,000,000
Zoo Tiger Exhibit	1,000,000
Natural Resources Management	<u>1,500,000</u>
	<u>6,500,000</u>

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LOUIS C. MCKNIGHT, III, C.P.A.
CHARLES R. PEVEY, JR., C.P.A.
DAVID J. BROUSSARD, C.P.A.



CERTIFIED PUBLIC ACCOUNTANTS

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June 13, 2006

**Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed with Accordance with *Government Auditing Standards***

Recreation and Park Commission
for the Parish of East Baton Rouge
Baton Rouge, Louisiana

We have audited the financial statements of the governmental activities and each major fund, of the Recreation and Park Commission for the Parish of East Baton Rouge, as of and for the year ended December 31, 2005, which collectively comprise the Recreation and Park Commission for the Parish of East Baton Rouge's basic financial statements and have issued our report thereon dated June 13, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Recreation and Park Commission for the Parish of East Baton Rouge's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Recreation and Park Commission for the Parish of East Baton Rouge's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items 2005-1, 2005-2 and 2005-3.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that none of the reportable conditions described above is material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Recreation and Park Commission for the Parish of East Baton Rouge's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Recreation and Park Commission for the Parish of East Baton Rouge, management, the Louisiana Legislative Auditor, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513 this report is distributed by the Louisiana Auditor as a public document.

Yours truly,

Hawthorn, Waymouth & Carroll, L.L.P.

Recreation and Park Commission for the Parish of East Baton Rouge
Schedule of Findings and Questioned Costs
Year Ended December 31, 2005

Internal Control Over Financial Reporting

2005-1 Bank Reconciliations

Condition

The operating and payroll accounts were not reconciled on a monthly basis.

Recommendation

These cash accounts should be reconciled each month and compared to the general ledger.

Management's Response

There were two accounts that were not completely reconciled at the commencement of the audit. Inexperienced staff had recently been assigned to the bank reconciliations and the condition was unknown to management for several months. Management discovered the deficiency just prior to the start of the audit field work and applied all effort to reconcile the accounts. This was completed during the course of the audit field work. We have resolved this control weakness by requiring the Accounting Supervisor to perform a monthly audit of bank reconciliations.

2005-2 Deposit for Horse Activity Center Not Made by BREC Employee

Condition

A deposit in the amount of \$451.95 was not made by an employee of the BREC Horse Activity Center, who was responsible for making daily deposits. The employee admitted not making the deposit, a police report was filed, and the employee was terminated. The shortage was noticed by BREC employees in a timely manner. BREC subsequently recovered \$188.80 of these funds.

Recommendation

To reduce the chances of this happening in the future, two employees should take the deposits to the bank.

Management's Response

Only managerial personnel at the Horse Activity Center (the facility manager and facility supervisor) will be assigned bank deposit duties.

2005-3 Money Missing from Vault at Horse Activity Center

Condition

On October 13, 2005, \$312 was discovered missing from the vault at the BREC Horse Activity Center. Five employees had access to the vault. A police report was filed, but no monies have been recovered.

Recommendation

BREC policy should require that two employees be present whenever the vault is opened.

Management's Response

BREC policy will require that two employees be present whenever the vault is opened.

Recreation and Park Commission for the Parish of East Baton Rouge
Schedule of Prior Year Findings and Questioned Costs
Year Ended December 31, 2005

Compliance

2004-1 Audit Report

Condition

The audit report is to be submitted no more than six months after the end of the fiscal year. The report has been delayed due to the unforeseen issues in the second year of the conversion of GASB 34.

Recommendation

Planning and preparation should be made to anticipate circumstances which would delay report beyond the required filing date.

Management's Response

Management agrees with the recommendation.

Corrective Action Taken

Proper planning and scheduling has been implemented and monitored to insure the report is timely filed.